



EUROPEAN COMMISSION
EUROSTAT

Directorate C: National Accounts, Prices and Key Indicators
Unit C-5: Price statistics. Purchasing Power Parities. Housing statistics

HICP COMPLIANCE MONITORING

INFORMATION NOTE

ON THE HARMONISED INDICES OF CONSUMER PRICES FOR FINLAND

September 2012

In the context of compliance monitoring and quality assurance, Eurostat reviewed the HICP for Finland in December 2011. The statistical practices used to compile the HICP for Finland have been reviewed against HICP methodology and other guidelines and good practices in the field of consumer price indices.

This report takes account of publicly available information on the CPI and HICP for Finland and additional information collected by Eurostat prior to, during and following a mission to Statistics Finland - held on 2 December 2011.

I. OVERALL ASSESSMENT

Statistics Finland has completed some actions in order to improve the Finnish HICP in recent years. Eurostat welcomes the active way it is aimed to follow market developments.

Instances of non-compliance with the HICP methodology are limited and unlikely to have a major impact in practice on the HICP annual average rates of change. The Finnish data pass all standard HICP validation tests – they are internally consistent and aggregate correctly. The HICP should be considered comparable to the HICP of other EU countries.

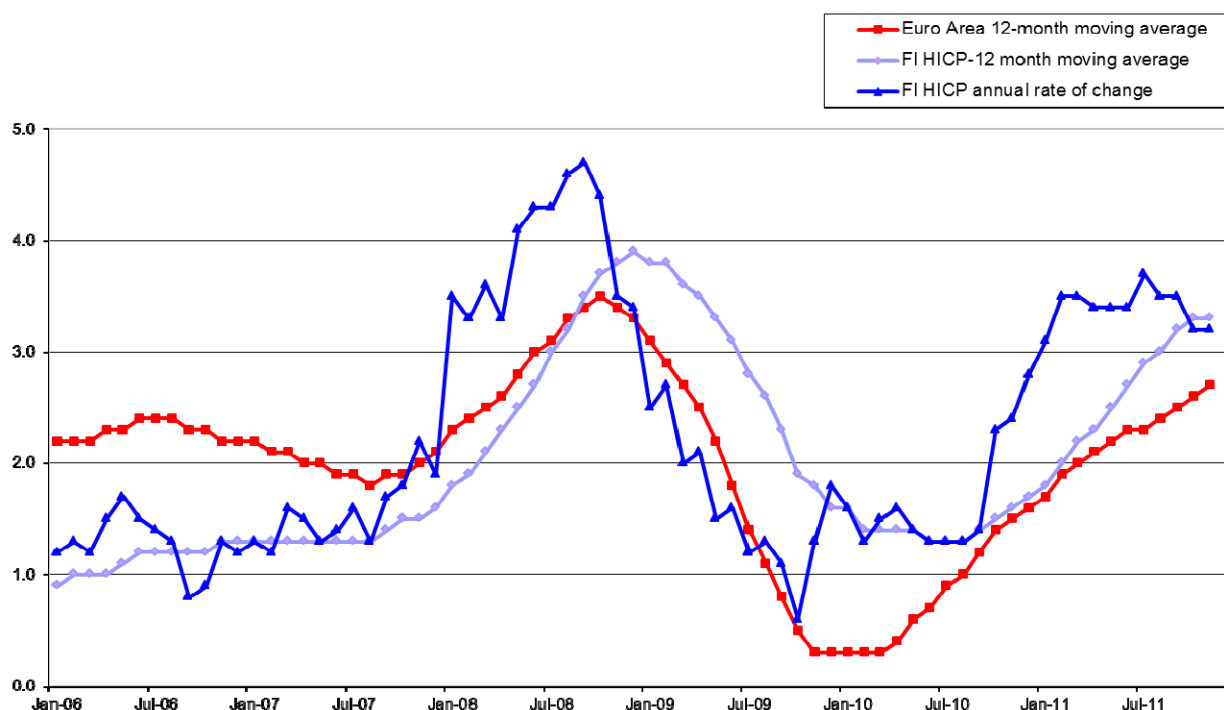
While the reliability of the HICP, in terms of precision and representativeness, appears generally adequate, in few cases the methodology or data used need improvement or further analysis (see Section III). A targeted follow up of these cases will be carried out by Statistics Finland and Eurostat.

II. RECENT PRICE DEVELOPMENTS

The focus of Eurostat's 2011 assessment on price developments was on those headings which had shown the most significant impacts on the 12-month moving average rate of change. The most significant upward impacts on the HICP in October 2011 came from electricity, fuels for transport, heating oil, coffee, tea and cocoa and sugar, jam and chocolate. At the same time, significant downward impacts came in particular from cars, pharmaceutical products, telecommunications, IT equipment, audio-visual equipment and vegetables.

In October 2011, the annual inflation rate for Finland was 3.2 %. This was above the euro area average of 3.0 % and below the EU average of 3.4 %. The chart in Figure 1 shows the development in the 12-month moving average rate of change and the annual rate of change for Finland, together with the euro-area 12-month moving rate from January 2006 onwards.

Figure 1: HICP Finland



III. FINDINGS AND RECOMMENDATIONS

For most headings both the methodology and data appear compliant with HICP requirements, and the movements in both prices and weights in recent periods correctly reflect economic determinants. For 2011, the main source of weights was 2009 National Accounts data.

The main differences between the HICP and the national CPI for Finland concern owner occupied housing, games of chance, interest on consumer credit, vehicle tax and fire insurance for detached houses which are all included in CPI but excluded from HICP.

Statistics Finland is currently working on a new data processing system which is due to get operational in 2013. Eurostat welcomes this work which will not only facilitate yearly updates of the HICP weights but also allows for sample revisions in yearly frequency and for a more systematic approach to the inclusion of new goods and services as well as for the production of quality statistics for analytical purposes. In the past, index revisions and update of expenditure weights were carried out in 5-yearly frequency.

According to the information provided to Eurostat by Statistics Finland, it is well prepared to implement the 5-digit level COICOP list on the event of the introduction of its new production system. This will facilitate also a review of the present classification system.

The implementation of the regulation on the treatment of seasonal items was delayed and started with the January 2012 index. According to the information provided to Eurostat by Statistics

Finland, the estimated bias for 2011 was not significant. In 2012, the impact of the implementation was significant in some months.

Eurostat welcomes the full alignment of the treatment of insurances to the HICP requirements in recent years.

Eurostat recommends that:

- Statistics Finland elaborates on the possibility of separating the expenditures for rents, different service charges and heating,
- Statistics Finland continues efforts to improve the timeliness of the rent survey and includes rental prices into the HICP according to the requirements as soon as possible,
- While there is not yet a legal obligation, Statistics Finland considers the contribution to the calculation of HICP Administered Prices.